

Mr. George G. Warnock

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October 25, 1991

DOE's files show that the last written application made by you for waiver of the minimum royalty was in your letter of May 11, 1987. DOE did not respond to this letter. Thus, while I am still considering whether or not you are liable for the minimum royalty that was due on June 12, 1987, it is clear that you are liable to DOE for minimum royalty payments for all ensuing years. Consequently, on behalf of DOE, I hereby determine that you are liable to DOE in the amount of \$40,000 for unpaid minimum royalties for lease years 1988 through 1991.

Within 30 calendar days of the date of your receipt of this letter, please provide to me a revised performance bond in the total amount of \$200,000 and a cashiers check in the amount of \$40,000. Your failure to comply with either one of these demands may result in the cancellation of the Lease, pursuant to the terms of Article XXIV of the Lease, without further notice to you.

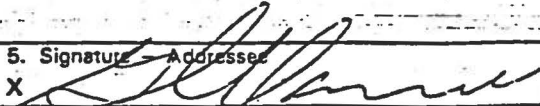
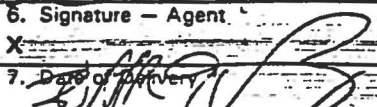
You are further advised that you may be liable for any costs incurred by DOE for reclamation activities that are required pursuant to the terms of the Lease.

If you have any questions please write to the above address or call me at 303/248-6003.

Sincerely,

Robert E. Ivey
Contracting Officer

cc: M. Olsen, DOE-ID, MS-1209
R. Bornstein, EPA
W. Weiss, EPA
C. Freytag, Geotech
J. Lyle, DOE-ID, MS-1117

<p>● SENDER: Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.</p> <p>1. <input type="checkbox"/> Show to whom delivered, date, and addressee's address. (Extra charge) 2. <input type="checkbox"/> Restricted Delivery (Extra charge)</p>	
3. Article Addressed to: Mr. George G. Warnock Todilto Exploration & Development 311 Washington Street, SE Albuquerque, NM 87108	4. Article Number 25480
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature - Addressee X 	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature - Agent X 	
7. Date of Delivery 10/25/91	